

Westfall

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

118711

FILE: B-205868

DATE: June 14, 1982

MATTER OF: VA Centralized Accounting Local Management System

DIGEST: If Veterans Administration wishes to institute procedure whereby VA Centralized Payment Center may pay invoices which have been forwarded from initiating facility without proper administrative certifications, proper alternate control procedures must be implemented in its full Centralized Accounting Local Management system. Recommended control procedures include limitations on type of contractor and number of dollars involved, testing of procedures before agency-wide implementation, and periodic review of system.

The Assistant Deputy Administrator for Budget and Finance of the Veterans Administration (VA) has asked whether the VA Centralized Payment Center may pay invoices which have been forwarded from the initiating facility without the required administrative certifications that goods or services have been received, subject to later audit and verification of the invoices. The General Accounting Office has, in the past, approved similar "fast pay" procedures where they were necessary to take advantage of prompt payment discount opportunities and where adequate alternate internal controls were present to assure that the agency received what it paid for in proper amount and condition. While in this case the submission does not state that the expedited procedures are necessary to obtain a prompt payment discount, if the VA can demonstrate that significant savings would result, even though no discount was available, we would not object to adoption of the fast payment procedures, provided that adequate alternate internal controls were also instituted.

According to the submission, approximately one-quarter of the VA's facilities currently participate in the agency's Centralized Accounting Local Management (CALM) system, whereby all payment documentation is mailed to the VA Centralized Payment Office in Austin, Texas, for audit and payment processing. It is expected that soon all VA facilities will use this system. Under the CALM system, there are instances in which a purchase order is written for a continuing service, and payment is made upon receipt of a certified invoice (i.e., no receiving report is processed). The VA requires that these invoices be signed by an authorizing official in the particular using service or unit at the initiating facility indicating that the service for which the bill is issued has been satisfactorily performed.

The Veterans Administration notes that in the course of auditing vouchers, it regularly identifies invoices which have not been signed and certified by the appropriate authorizing official, although they have been reviewed and approved by the initiating facility's fiscal service. Current VA procedures require that, under such circumstances, the invoice be returned to the station for certification prior to payment. According to the submission, this procedure causes excessive delays in payments, lost documents, and vendor inquiries.

The Veterans Administration requests our opinion on an amended procedure which would permit the Payment Center to pay invoices from which the certification statement of the authorizing official is missing, so long as the initiating facility has affixed and completed the accounting stamp indicating review and approval by the initiating facility's fiscal service. The initiating facility would be immediately informed that the payment had been made without the appropriate certification, and a copy of the invoice would be returned to the facility. The facility would be asked to review the invoice promptly and issue an SF 1114 if payment proved improper.

As noted above, we have in the past considered and approved "fast pay" methods for other agencies wishing to take advantage of prompt payment discounts where adequate alternate internal controls were present. The ultimate decision as to how much prepayment control should be exercised rests with the Administrator of Veterans Affairs and his designees. We are unable to take a firm position on the proposal without more detailed information, especially as to the alternate control procedures contemplated by the VA. If the VA decides to implement this system, however, we recommend that certain minimum control procedures be implemented.

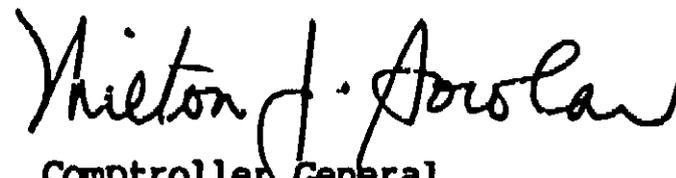
In B-158487, April 4, 1966, for example, we held that by virtue of authority set forth in section 305 of the Federal Property and Administrative Services Act of 1949, as amended, 41 U.S.C. § 255, GSA (and any other executive agency) could pay direct delivery vouchers prior to receipt of receiving reports from consignees, provided the agency determined that the provisions included in each specific contract or in the general provisions of the standard form for supply contracts provided "adequate security" to safeguard the interests of the United States, and that the advance payment procedure for direct deliveries was in the public interest. We viewed the fact that GSA was doing business with reputable and financially responsible vendors on a recurring basis, coupled with the fact that ordering agencies would promptly notify GSA of nonreceipt of goods, as adequate security to protect the interest of the United States, since if GSA were notified that the ordering agency had not received the goods, it could seek adjustments in its next procurement from the vendor. We also recognized that it was in the public interest that vendors be paid quickly in order to take advantage of prompt payment discounts.

In 60 Comp. Gen. 602 (1981), we affirmed our support for GSA's accelerated payment procedure, and amplified our discussion of the safeguards required to protect the Government against fraud. We required that agencies keep records to determine that what had been paid for had been received in the proper quantity and condition, and that this determination be made on a timely basis and follow-up actions undertaken if a discrepancy were uncovered. We also suggested that ordering agencies consider the use of statistical sampling to test the reliability of the system of internal controls in order to identify problems and institute corrective changes. Where the statistical samples indicated possible problems, we recommended expansion of the sample to achieve a better understanding of the magnitude of the problems.

We have no objection to the VA's proposal in principle. However, we are unable to approve the proposal unequivocally at this time because we do not know the volume of transactions, the number of dollars involved, the amount and nature of the savings that would be achieved, and, most important, the precise nature of the alternate control procedures contemplated by the VA. We note that under the VA's proposal, the initiating facility would be informed immediately that payment has been made without the appropriate certification, and a copy of the invoice returned to the station for prompt review. In addition to this control, we suggest that if the VA adopts a "fast pay" procedure, it should be:

1. limited by dollar amount,
2. limited to contractors which have an ongoing relationship with the VA,
3. reviewed periodically to see how well it is working; i.e. whether the benefits of the new system in terms of VA's ability to take advantage of prompt payment discounts, if any, or to reduce loss of documents, or to achieve other savings, outweighs its costs in terms of unrecovered overpayments, and
4. tested for a period of time before it is implemented throughout the agency.

If the Veterans Administration decides to implement a "fast pay" procedure, our Accounting and Financial Management Division would be interested in reviewing and approving the specific alternate controls which would need to be present.

for 
Comptroller General
of the United States